The modern performance appraisal outlook  
– An approach to employee motivation

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ABSTRACT

It is rightly said that, “Encouraged people achieve the best; Dominated people achieve second best; neglected people achieve the least.” as recognition and reward at the right time is the best encouragement. Organizations have employed different methods to appraise the performance starting from the traditional comparison method to the modern 720 degree appraisal method. 720 degree appraisal method focuses at monitoring, measuring, giving feedback and encouraging the employees to achieve the goal.

Discussing the challenges of performance appraisal on employee motivation, it has been established that some managers tend to be liberal or strict in their rating of staff which may affect the employees’ motivation. The manager’s ability to identify and resolve the skills gaps can have a significant impact on the employee’s motivation. Regular ratings and appraisals may affect the performance and motivation of the employees. Appropriate assessment of the employee’s performance may enhance their motivation. Employers should also note that performance evaluation is an ongoing process and not one that happens only once a year. The reasonable expectations of the ratings can lead to honest feedback for employee motivation.

INTRODUCTION

Motivation is the process that energizes employees and allows them to pursue their goals. Well-designed performance appraisals have strong motivational impacts. When employees have well directed goals, they tend to be more motivated if they also receive feedback about their progress. Feedback may occur throughout the workday, but many organizations also have a formal, companywide process of providing feedback to employees, called the performance appraisal. A performance appraisal is a process in which a rater or raters evaluate the performance of an employee. More specifically, during a performance appraisal period, rater(s) observe, interact with, and evaluate a person’s performance. Then, when it is time for a performance appraisal, these observations are documented on a form. The rater usually conducts a meeting with the employee to communicate performance feedback. During the meeting, the employee is evaluated with respect to success in achieving last year’s goals, and new goals are set for the next performance appraisal period.

Even though performance appraisals can be quite effective in motivating employees and resolving performance problems, in reality, only a small number of organizations use the performance appraisal process to its full potential. In many companies, a performance appraisal takes the form of a bureaucratic activity that is mutually despised by employees and managers. The problems a poor appraisal process can create may be so severe that many experts, including the founder of the total quality movement, Edward Deming, have recommended abolishing appraisals altogether. Motivation is the process that energizes employees and propels them to pursue their goals. Well-designed and well-executed performance appraisals have a strong motivational impact. Appraisals have the power to motivate employees because they provide a number of interconnected benefits:

• **They demonstrate the need for improvement.** If employees don’t have a clear understanding of how they’ve been performing, they can’t be motivated to make any improvements.

• **They meet higher-level psychological needs.** Researchers continue to find that recognition is one of the most powerful forms of motivation for large numbers of employees. Although you can find numerous possible sources of recognition on the job, performance appraisals are an
opportunity for employees to receive formal, significant, and enduring recognition from their manager.

- **They build a sense of personal value.** When managers take the time and effort to carefully review, analyze, document, and discuss performance with employees, the underlying message to the employees is that they’re important and valuable, and this alone is quite rewarding, whether the feedback is positive or not.

- **They enhance personal development.** Performance evaluations are motivational for employees who are looking to enhance their personal learning, growth, and development. Appraisals are a highly valuable source of information, insights, and tools necessary for such progress. Performance appraisals are similarly motivational for employees whose needs are centered on achievement, goal attainment, and sensing personal effectiveness, respect, and trust.

- **They turn employees around.** When employees are performing poorly, performance appraisals can provide the wakeup call that they need to get refocused and reenergized. With performance appraisal, however, the purpose of the session is not strictly disciplinary, so the employee is more likely to walk in with a more receptive and open mind. As a result, your comments regarding an employee’s questionable performance have an excellent chance of being heard and generating action as a result.

- **They increase satisfaction.** When performance appraisals meet the employees’ needs in such areas as gaining recognition, sensing achievement and competence, experiencing growth, and meeting objectives, they’re also contributing to the employees’ job satisfaction, and this is one of the most important elements at work today. When employees are satisfied, some of the most visible indicators are reduced turnover, absenteeism, and tardiness.

On the flip side, when employees are subjected to a shoddy or even nonexistent performance appraisal system, the opportunities to fulfill these higher-level employee needs are substantially reduced.

**LITERATURE REVIEW**

Organizations are in a constant battle to enhance their employee motivation (Kreitner and Kinicki, 2007). Motivation can be defined as the psychological processes that cause the arousal, direction, and persistence of voluntary action that is goal oriented (Lee and Mitchell, 2004). The employees of an organization are vital to the growth and success of the organization and in many cases the employees are a reflection of an organization (Bennet, 2002). Harvey and Brown (2006) also emphasize that people are the foundation of every organization.

Bennet (2002) explains that people working for an organization are the most valuable, the most costly, and the most volatile of all the resources that it can use to accomplish the organization’s work. The Content theories of motivation are based on identifying specific human needs and describing the circumstances under which these needs activate behavior. Amongst these, Maslow and Herzberg are the most famous and still cited in most of the motivation literature (Cuong et al., 2003). Process theories of motivation focus on the ways that people think through motivation issues and how they determine whether their actions were successful. These include expectancy theory, equity theory, goal theory and the psychological contract. Each has merits, but none is sufficient in itself (Handy 1993).

Boice and Kleiner (2007) suggest that employee performance appraisal is crucial for the motivation of the employees. Performance appraisal refers to where a superior evaluates and judges the work performance of subordinates (Harter, Schmidt and Hayes, 2002). While the performance appraisal system refers to the methods based upon the following techniques: Graphic rating scales; behaviorally anchored rating scales (BARS), behavioral observation scales (BOS); mixed standard rating scales and management by objectives (MBO) (Francis and Kleiner, 2004). The rating system of the employees is necessary as it helps to identify the people for the leading positions in the organization. Boice and Kleiner, (2007) reports that effective appraisal system helps to produce committed and motivated employees. According to Pitts (2005), one key strategy for organization success is the ability to motivate, attract and maintain a motivated-valuable workforce in today’s marketplace.
According to Rue and Byars, (2005), performance appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities. Performance appraisal process can also be referred to as a procedure for determining employee performance (Herbert et al., 2009). Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development (Livy, 2007). Performance appraisal system is usually identified as a critical element for boosting employee motivation (Selvarajan and Cloninger, 2011). Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Performance appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization (Vasset, Marnburg and Furunes, 2011).

Performance appraisal is often considered one of the most important human resource management functions (Selvarajan and Cloninger 2008), and an effective performance appraisal and management system is an integral part of organization’s human resource management effectiveness (Guest 1997 cited in Selvarajan and Cloninger, 2011). Hodgetts (2002) categorizes a four-step process of the performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employees’ job responsibilities. The job standards are set against the worker performance. The second step involves pegging the worker performance (such as traits approach, behavioural approach, ranking methods, alternation ranking, and results methods, productivity measures, 720 degrees evaluation and Management by Objectives (MBO). Thirdly, there is comparison against standards. At some point, the individual work record it compared with the standards set for the job. Fourth, an evaluation of performance is made pegged on the comparison.

Selvarajan and Cloninger (2008) suggest that some organizations are dissatisfied with their performance appraisal process. This implies that the performance appraisal process is not an appropriate mechanism for addressing employee motivation. But performance appraisal is considered to be essential to create a positive effect work environment and improve the quality of service. Selvarajan and Cloninger (2011) argue that there are a number of issues associated with the performance appraisal process and these include poor design, lack of attention to the organizational culture, and unwillingness to confront issues of poor performance, as well as time pressure. The next section looks at the different performance review process and their effect on employee motivation while looking at the past oriented and future oriented methods.

There are a number of different options concerning who should evaluate the individual employee, and the decision needs to be based on a series of factors. Traditionally, it has been the sole responsibility of managers or supervisors to assess performance (Afriyie, 2009). However, other organizational members (such as clients, co-workers and subordinates) can be valuable source of information as they are likely to have exposure to different aspects of an employee’s performance (Afriyie, 2009). Collecting information from multiple sources can increase the accuracy of performance evaluation (can reduce bias) and increase employee’s perceptions of fairness (Vasset, Marnburg and Furunes, 2011).

**Definition of Terms**

**Motivation** - Motivation is the psychological processes that cause the arousal, direction, and persistence of voluntary action that is goal oriented (Kreitner and Kinicki, 2007).

**Motives** - Motives provide direction to human behavior as they are directed towards certain conscious or subconscious goals (Waters-Marsh, 2008).

**Performance Appraisal** - Performance appraisal is where a superior evaluates and judges the work performance of subordinates (Harter, Schmidt and Hayes, 2002).

**OBJECTIVES OF THE STUDY**

**Specific Objectives** The study was guided by the following specific objectives:

- To establish the extent to which performance appraisal process affects employee motivation.
To determine the extent to which appraisers affect employee motivation.

To determine the challenges in appraising employee performance.

DISCUSSION

To a certain extent an employee’s motivation and satisfaction can be caused due to performance appraisal - for better as well as for worse. Recognition for the work efforts of employees is provided by performance appraisal. It has been noted for long that social recognition is an effective incentive for employees. It has been proved, that individuals would be ready to even accept the negative feedback or recognition rather than having no recognition.

A performance appraisal signifies to an employee that the company he works for is really interested in their personal development and work related performance. This will make them feel belonging and sense of worth and will be more committed towards their department and the company. The human desire for individual recognition should not be overlooked; it may help in reducing absenteeism and attrition rates in some organizations.

Organizations must make a good start by introducing regular performance appraisal. Research conducted on motivation by many researchers as well as Maslow, Elton Mayo and Fredrick Taylor has realized the influence of recognition as an encouragement on employees. A performance appraisal offers an employee with appreciation for his hard work. The supervisor is provided with an opportunity by the appraisal system to show that the company and the management are genuinely interested in their performance and personal development. And this in turn will have a positive influence on employees and it will boost their morale, self-esteem and they will be more committed towards their department and the company. Many researchers have developed theories on motivation. According to Krietner (1995) explained motivation from the psychological point of view, he said motivation provides behavior a function and direction. Motivation plays a significant role in all organizations as it is an indicator to show how well the organization is performing and this in turn has an effect on the organization’s objectives. An individual’s performance can have far reaching effects like, reaching the higher market share or maximizing the profits. Motivation of employees can reduce attrition rate and make the employees committed to the company. Appraisals are a source of motivation for employees. Motivation is defined as a 23 driving force which helps and encourages a person to achieve his goals and objectives. Motivation can also be defined as a set of forces that energize, direct and sustain behavior (Hitt et al 2009; Lyman W. 2005). An organization becomes successful when its leadership is strong and engaged and promotes motivation. It is very important for the Human Resource managers to always be in touch with what is important and what is good for employees.

As organizations face increasing internal and external challenges, the effectiveness of teams to deliver on performance goals will become a key source of differentiation between organizations who are successful and ones who fall behind their competition. Critical to a team’s level of effectiveness is the ability for individual team members to communicate with each other and the organization as a whole. One aspect of communication that is important to team performance is feedback. Learning and Organizational Change professionals are often tasked with implementing and driving the feedback process within an organization. It is important to understand the benefits and challenges specific to 720-feedback in a team setting, along with identifying success criteria for introducing this type of feedback within a team. This article will explore these considerations and demonstrate how introducing a formal 720-feedback process can increase individual self-awareness and transparent communication within a team and lead to an increase in overall team performance.

Benefits of using a future oriented performance appraisal tool –720 degree feedback system

There are several benefits associated with utilizing 720-degree feedback within a team environment. When used effectively, Hurley (2008) found that 720-degree feedback can increase communication, foster employee development, and increase productivity and efficiency on a team. Let’s examine these three benefits of 720-degree feedback within teams:
Frequent and Transparent Communication
Teams who utilize 720-degree feedback can increase the level and quality of communication within the team, leading to increased team performance. Research has found that both formal and informal communication often increases after the implementation of 720-degree feedback, and an increase in two-way communication can be seen between team members (London & Beatty, 1993). As feedback results are delivered and discussed among team members, communication is shown to become more frequent and more transparent (Antonioni, 1996). Participants report that issues that previously may have been difficult to discuss become easier to address because of open communication channels and removal of the fear of retaliation (Peiperl, 2001). As teams continue to seek out feedback from each other, they increase trust with each other and are more likely to achieve performance goals (Mamatoglu, 2008).

Increased Self-Awareness
Using 720-degree feedback within a team environment can lead to an increase in self-awareness among team members as individuals consider assessments of their own performance compared with others’ assessment of their performance. Self-awareness can also contribute to increased communication and transparency among team members, enabling the team as a whole to perform at a higher level. A self-awareness of individual strengths and weaknesses leads to improvements in work behavior and performance, which in turn contribute to greater overall team performance (Antonioni, 1996). Even the process of completing the 720-degree feedback allows raters the opportunity to reflect on their own behavior and determine whether they may need to improve their own performance to better align with expectations (Dominick et. al., 1997).

Clearer Understanding of Goals and Expectations
Effective 720-degree feedback should focus on behaviors that align to team values and objectives (London & Beatty, 1993). The process of completing 720-degree feedback provides raters with greater insight and understanding into the values and behaviors that are important for team success. Seeing how others are being evaluated allows team members to formulate their own expectations around goals for performance and behaviors (Dominick et. al., 1997). When 720-degree feedback is combined with setting specific performance goals that relate to developmental areas identified in the feedback, even greater changes in behavior are expected (Dominick et. al., 1997). Second, Locke and Latham even ventured so far as to say that introducing a formal feedback system into a group may motivate individuals to set their own performance goals without explicitly being instructed to so do. (Dominick, 1997).

Managing Potential Bias in Performance Appraisals
Performance appraisal is by nature a subjective event. Unless the performance appraisal is purely relying on objective criteria such as sales, it requires one or more human beings to observe and evaluate another and arrive at a consensus. Raters, intentionally or unintentionally, make mistakes or exhibit biases. These biases trickle down into the appraisal system and can affect other decisions that are based on appraisals, such as pay and promotion. Therefore, being aware of these tendencies is the first step to managing their influence over the appraisal system.

Liking
A performance appraisal does not occur between strangers. The rater and ratee have an existing relationship. If they like or dislike each other, these feelings may bias the ratings. For example, research shows that regardless of their objective performance levels, managers give employees they have a good relationship with higher ratings. Duarte, N. T., Goodson, J. R., & Klich, N. R. (1994). Effects of dyadic quality and duration on performance appraisal. Academy of Management Journal, 37, 499–521

Leniency
One of the common problems in appraisals is that managers give employees ratings higher than warranted. There may be many reasons for this, such as the desire to avoid confrontation with the employee, having a very agreeable personality, the desire to avoid hurting the chances of the employee to get a bonus, the desire to motivate employees by giving them high ratings, or liking the employee as a person. Regardless of the reason, leniency is a problem because it makes ratings relatively useless for
determining raises, bonuses, or promotions. At the same time, leniency makes it harder for employees to change their behaviors. One way of dealing with this problem could be using relative rankings or at least giving managers a suggested distribution. If managers are asked to grade on a curve, they may end up being less lenient. Moreover, making managers accountable for the ratings they give may be a good idea.

**Stereotypes**

One of the factors that create bias in appraisals is the stereotypes that raters may have regarding the gender, race, age or another characteristic of the person being rated. Beliefs about different groups may be generalized to the person in question even though they may have little basis in reality. For example, research shows that women in stereotypically male jobs were rated lower than women in stereotypically female jobs. Similarly, attractive women were rated higher if they held non-management jobs, but they were rated lower if they held management jobs. Understanding the importance of eliminating stereotypes from performance appraisals and training managers to accurately observe and evaluate performance may be beneficial in limiting exposure to this type of bias.

There are many different aspects that affect an employee’s performance separating his own initiatives and driving factors, these driving factors could be anything, like resource availability for the employee to use, external control like financial system and industry, company strategies and etc.

There are many reasons that explain why employees do not prefer doing performance appraisal, and they are:

• One of the most important and common reason remains the lack of understanding regarding the purpose of performance appraisal. Employees often fail to understand the reason for conducting a performance appraisal and question how it can improve their performance at work. The majority are still unaware that their appraisal can affect their career prospects.

• Employees often feel that their manager or supervisor do not write their appraisals on the basis of performance but write it on the basis of personal relations with employee’s.

• The next reason is that employees consider performance appraisal to be time consuming and interruption to their routine work as the questions in appraisals asked are mostly intricate and competency ones, for which employees have no answer to write to and they say it confuses them.

• Sometimes due to employee’s poor language skills and poor knowledge of terminologies, they find it difficult to communicate their performance in correct words and sometimes fail to understand the question.

• The last reason for lack of interest in doing appraisals is because they never get feedback from their managers. Many companies fail to provide the feedback; they just conduct the appraisal and keep it in their records. Once the appraisal is done the employees would want to know how they have performed, if a company does not use this step then the whole performance appraisal would be considered as a waste of time, energy and money.

A special training for all the managers must be conducted which will give them a good idea on how to conduct a performance appraisal like what should be taken into consideration and what should be avoided while evaluating.

The training could start with why performance appraisal is so important for the company and how the company’s goals and objectives are related to it. The effective performance appraisal steps are:

• The first step would be to plan and prepare the appraisal and giving it to all the employees and making them understand the importance of this appraisal and explaining how it will be beneficial for them.

• The step two would be to try and make them feel comfortable as they would be apprehensive about it. Make them understand the importance of this appraisal and explain how it will be beneficial for them.

• The step three would be to discuss about the questions and what they have written about it and why, at this time it is important that the manager takes it slowly and casually. Managers must know that not
everyone can write the way it is expected, as some of them could have a bad written language so at this stage managers must train employees on writing appraisals effectively by giving tips on writing skills, if they find that employees have bad written communication.

• The fourth step would be to understand the employee’s strong and weak points and appreciate for strong points but at the same time, plan for improvement training for the weak points. When employees know that their work is appreciated and the manager does notice their work then it gives them a sense of achievement and helps them to open up more.

• The fifth and last step would be to ask if they are facing any problems work wise and if they need any training or wants to improve anything personally. At this time the manager must also clear the fact that in future their appraisal will indirectly affect their pay or bonus. It will also be good to make them feel that it was a very good experience to get to know them properly through this appraisal and give the copy of appraisal to the employee for their future reference and a copy for the company personal data.

These simple steps can go a long way in improving a company’s workforce. Though these performance evaluations are time consuming but if it’s done properly and correctly, it improves work related communication between the employer and the employee and ensures that they work towards company’s goals and objectives and meets the company prospects and ready to accept responsibilities.

CONCLUSION
On the effect of performance appraisal process on employee motivation established that the system is important for employee motivation. Performance appraisal system has helped improve job performance at work. The regular assessment of performance leads to employee motivation. The performance standards are quantified and pegged against an individual evaluation which is essential for employee motivation. Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions. The performance appraisal identifies performance problems to improve employee productivity and motivation.

On the effect of performance appraisers on employee motivation established that the different raters can increase the accuracy of performance evaluation (can reduce bias) and increase employee’s perceptions of fairness. Customers can recognize the employees when they do a good job evaluation process that are important for employee’s motivation. Subordinate evaluations may give valuable information to improve on the employee’s motivation. Peers or co-workers often know the job of the individual employee better than the supervisor does and they are more directly affected by the employee’s actions, either positive or negative. On the challenges of performance appraisal on employee performance established that some managers tend to be liberal or strict in their rating of staff which may affect the employees’ motivation. The manager’s ability to address the skills gaps can have a significant impact on the employee’s motivation. Regular ratings may affect the performance and motivation of the employees. Fair assessment of the employee’s performance may enhance their motivation. Employers should also note that performance evaluation is a continuous process and not one that happens only once a year. The reasonable expectations of the ratings can lead to honest feedback for employee motivation.

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